

**AEA Proposal**  
**City of San Jose Negotiations**  
**April 29, 2010**

Our members have heard the public outcry to protect city services and our proposal is designed to do just that. AEA's 233 members are committed to help protect city services for San Jose residents and protect the employees who deliver those services. The AEA proposal of **\$1.75 million dollars** per year *exceeds* the Council's 10% General Fund savings target of **\$613.8 thousand dollars**.

Our ***Retirement System Stability Proposal*** accomplishes four key goals:

1. An additional 7.5% of our member's base pay will come off our checks and go into the federated retirement fund (AEA members are not eligible for overtime). This additional retirement contribution will place a higher financial burden on our members to fund our retirement.
2. The City would reduce its retirement contribution for our members by a commensurate 7.5%, generating substantial on-going general fund savings for multiple years.
3. Zero wage increases will generate additional savings for the City in pension costs. Because the Federated retirement system *assumes* our members will receive a 4.25% raise per year, three years of zero wage increases will reduce the city contributions necessary to fund the pension system. (09/10 Previous Contract, 10/11 and 11/12 Proposed New Contract)
4. Because our proposal spans the course of two years, the City will realize ongoing savings for this fiscal year and the following fiscal year. This is a prudent, long-term fiscal strategy for the City.

Effective July 1, 2010, all unit employees will contribute 7.5% of base pay towards prior service retirement costs. This payment will be made on a pre-tax basis through payroll deduction pursuant to IRS Code Section 414(h)(2). This contribution shall be credited to an employee's individual account for purposes of refunds, where such refunds are required or permitted under the Plan to be given to an employee. This contribution shall terminate effective June 30, 2012.

The City would reduce its required retirement contribution rate by a commensurate 7.5% for all unit employees for the term outlined above.

As was directed by the City council in adoption of the March Budget Message for Fiscal Year 2010-2011; "To the extent possible, concessions from non-sworn bargaining units should primarily be used to save non-sworn positions, and savings from the sworn bargaining units should be primarily be used to save sworn positions."<sup>1</sup>

As such, the City will utilize the savings generated from the proposal above to follow, not just the letter of the direction given by Council, but the spirit of the direction given by the council and utilize these savings to save jobs within the AEA bargaining unit.

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<sup>1</sup> March Budget Message for Fiscal Year 2010-2011, March 12, 2010. Page 7.